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ABSTRACT

A study determined the status of the Corporation for National and Community Service reform efforts to improve AmeriCorps. Work focused on the reform efforts related to reducing costs. The study relied on funding data from the Corporation's grant data system on grant awards and expected funding matches from non-Corporation sources. Analysis indicated the Corporation had made progress in taking some cost reduction reform steps but lacked data systems to track whether all these reforms had been made. Corporation grant funds per participant had decreased by about 6 percent. Matching funds had increased in total, but the Corporation was unable to document whether private contributions had increased. No federal agencies, at either the national or field-office level, were AmeriCorp grantees in program year 3. However, many subgrantee projects of former federal agency grantees, as allowed by law, continued to operate as AmeriCorp projects, having applied for and received Corporation funds either directly from the Corporation or through state commissions. In addition, the Education Awards Program was operational; 49 new projects had been funded for a total of 6,400 participants so far in program year 3. (A response from the Chief Executive Officer of the Corporation is appended.) (YLB)

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B-277783

September 3, 1997

The Honorable Charles E. Grassley
United States Senate

The Honorable Christopher S. Bond
United States Senate

The Honorable Pete Hoekstra
Chairman, Subcommittee on Oversight and Investigations
Committee on Education and the Workforce
House of Representatives

Subject: National Service Programs: Status of AmeriCorps Reform Efforts

The AmeriCorps program, administered by the Corporation for National and Community Service (the Corporation), is presently in its third year of operation.[1] The program gives participants stipends and education awards in exchange for service that addresses unmet needs in education, public safety, human services, and the environment. The Corporation, with a total fiscal year 1997 appropriation of $616 million, administers a variety of grants to existing and new national service projects; AmeriCorps grants, for which $215 million was appropriated, constitute the largest share of these funds. AmeriCorps grants include (1) operating grants to state commissions, which subgrant funds to local projects; (2) operating grants to national projects; and (3) grants for a recently established Education Awards Program that provides funding for education awards but minimal or no funding for project operations.

[1]We first reported on AmeriCorps in 1995 (National Service Programs: AmeriCorps*USA--Early Program Resource and Benefit Information, GAO/HEHS-95-222, Aug. 29, 1995). The AmeriCorps*USA program is now known as the AmeriCorps*State/National program; in this correspondence, we refer to it as "AmeriCorps." AmeriCorps is authorized under the National and Community Service Trust Act of 1993 (P.L. 103-82, 42 U.S.C. 12571 et seq.). The Corporation administers several other programs, including the AmeriCorps*VISTA, AmeriCorps*National Civilian Community Corps, Learn and Serve America, and National Senior Volunteer Corps programs.

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In March 1996, responding to congressional criticism, the Corporation agreed to 10 reform steps to improve AmeriCorps. These included reducing average per-participant costs, decreasing reliance on federal funding, eliminating grants to federal agencies, and increasing the number of projects funded with grants for the Education Awards Program. On March 14, 1997, you asked us to determine the status of the Corporation's reform efforts. We agreed with your offices to focus our work on the reform efforts that are related to reducing costs; more specifically, our objectives were to determine

- how AmeriCorps funding changed per-participant from the initial program year (program year 1) to the third program year (program year 3);[2]
- whether private contributions to AmeriCorps increased on a per-participant basis from program year 1 to program year 3;
- the status of subgrantees of former federal agency grantees; and
- the status of Corporation efforts to increase the number of projects that provide only education awards to participants under the Education Awards Program.[3]

In determining how AmeriCorps funding has changed, we relied on funding data from the Corporation's grant data system on grant awards and expected funding matches from non-Corporation sources. Although we did not validate these data with individual grant documents, we checked the data for internal consistency and resolved any discrepancies with the Corporation. We recognize that actual grant funds distributed, actual matching funds obtained, and actual participants performing service may vary from the amounts expected, but actual data for program year 3 are not available yet. In addition to this funding analysis, we

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[2]The Corporation's first operating grants for AmeriCorps projects were funded with its fiscal year 1994 appropriation, to be used in the 1994-95 program year. Operating grants in the third year were funded with the Corporation's fiscal year 1996 appropriation for the 1996-97 program year. Program years begin and end at different times throughout the calendar year for different projects and may extend for more than or less than 12 months.

[3]To increase the number of participants while reducing costs per participant, the Corporation established the AmeriCorps Education Awards Program as a separate grant program in September 1996. It makes education awards available to support community service through organizations that can largely or entirely cover the cost of operating their projects without additional Corporation support.

discussed the questions with and obtained documentation from Corporation officials, discussed with some federal agencies (former grantees) their continued funding of local projects, and discussed with a few projects the private contributions received, federal funding, and the Education Awards Program. We conducted our review from June to August 1997 in accordance with generally accepted government auditing standards.

In summary, our analysis shows that the Corporation has made progress in taking some of the cost reduction reform steps but lacks data systems to track whether all these reforms have been made. Corporation grant funds per participant have decreased by about 6 percent. Matching funds have increased in total, but the Corporation is unable to document whether private contributions have increased. No federal agencies, at either the national or field-office level, are AmeriCorps grantees in program year 3. However, many of the subgrantee projects of former federal agency grantees, as allowed by law, continue to operate as AmeriCorps projects, having applied for and received Corporation funds either directly from the Corporation or through state commissions. In addition, the Education Awards Program is operational; 49 new projects have been funded for a total of 6,400 participants so far in program year 3.

BACKGROUND

The Corporation provides grant funds to projects to pay up to 85 percent of the cost of participants' living allowances and benefits and up to 67 percent of other project costs, including participant training, education, and service gear; staff salaries, travel, transportation, supplies, and equipment; and project evaluation and administrative costs. To ensure that federal Corporation dollars are used to leverage other resources to help pay for project support, grantees must also obtain matching support from non-Corporation sources. This matching support, which can be cash or in-kind contributions, may come from other federal sources as well as state and local governments and private sources.[4]

Project participants can serve full-time or part-time. A full-time participant provides at least 1,700 hours of service within a 1-year period and receives an

[4]In this correspondence, we refer to both cash and in-kind contributions as "matching funds." Matching funds do not need to be dollar-for-dollar.

education award of $4,725. Part-time participants receive a portion of this award, depending on the amount of service performed.[5]

CORPORATION GRANT FUNDS PROVIDED PER PARTICIPANT HAVE DECREASED

From program year 1 to program year 3, Corporation grant funds provided per FTE to all projects have decreased 6 percent, to about $10,000, as shown in table 1.[6] Matching funds per FTE decreased 10 percent, to about $8,800. Grant funds in total increased by about a quarter, while FTEs increased by more than a third.

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[5]Our analysis is conducted in terms of full-time equivalent participants (FTE). A full-time participant is counted as one FTE; a part-time participant is counted as a fraction of an FTE equal to the pro-rated fraction of a full-time service year in which he or she participates. These data came from grant applications and reflect the number of participants expected at the time of the application. In our tables, we also include the number of participants, which is computed as the sum of full-time and part-time participants.

[6]Note that the average per-FTE funding discussed includes only grant funds provided to projects. The education award and a pro-rated portion of the Corporation's overhead, expenses that were included in our 1995 report, are excluded.

Table 1: Comparison of Funding Data for All Projects Operating in Program Years 1 and 3

Category	Program year 1	Program year 3	Percent increase (decrease)
Corporation grant funds	$147,925,690	$188,721,991	28
Matching funds	$134,603,382	$164,902,486	23
Total funds	$282,529,072	$353,624,477	25
FTEs	13,819	18,829	36
Corporation funds/FTE	$10,705	$10,023	(6)
Matching funds/FTE	$9,741	$8,758	(10)
Total funds/FTE	$20,446	$18,781	(8)
Number of projects	298	475	59
Number of participants	16,680	23,044	38

Note: Program year 1 data include 71 projects that have since discontinued operations, and program year 3 data include 248 projects that began operations after program year 1.

Another way to look at trends in Corporation grants is by analyzing Corporation grant data for the 227 projects operating in both program years 1 and 3, as shown in table 2. These projects' per-participant funding trends may reflect efforts to eliminate expensive projects or decreases in per-participant funding from more expensive start-up years to later years. For these projects, Corporation funding per FTE decreased 20 percent to about $9,300. Unlike the decrease in matching funds per FTE shown for all projects above, these projects showed an increase in matching funds per FTE of about one-tenth. The increase in matching funds per FTE and the decrease in Corporation funds per FTE are consistent with the Corporation's reform agreement. The changes result in the matching funds per FTE nearly equaling the Corporation funds per FTE.

Table 2: Comparison of Funding Data for Projects Operating in Both Program Years 1 and 3

Category	Program year 1	Program year 3	Percent increase (decrease)
Corporation grant funds	$115,076,638	$116,321,213	1
Matching funds	$84,366,790	$115,575,063	37
Total funds	$199,443,428	$231,896,276	16
FTEs	9,953	12,513	26
Corporation funds/FTE	$11,562	$9,296	(20)
Matching funds/FTE	$8,477	$9,237	9
Total funds/FTE	$20,039	$18,533	(8)
Number of projects	227	227	n/a
Number of participants	11,900	15,460	30

Note: n/a = not applicable.

The Corporation has taken several steps to decrease its grant funds per participant. In program years 1 and 2, the Corporation set no target for per-FTE funding. However, for program year 3, the Corporation limited its grant funds per FTE to $13,800 or, if more than that, the grantee was required to reduce the per-FTE funding from program year 2 by at least 10 percent.[7] For program year 4, the Corporation will limit its grant funds per FTE to $11,750. In calculating average per-FTE funding, states may include participants in the Education Awards Program. In addition to setting these grant fund limitations, the Corporation increased its non-Corporation match requirement from 25 to 33 percent beginning in program year 3.

Although the Corporation has reduced the amount of its own grant funds expected to be disbursed per planned participant, the Corporation does not collect data on the amount of federal funding from other departments and

[7]For state commissions, which are grantees for several projects in their states, this requirement applied to the overall average of state projects.

agencies. Projects are permitted to use federal funds from non-Corporation sources to meet required matches for most budget categories but are not required to report this information to the Corporation. For our 1995 study on AmeriCorps resources, we collected information directly from projects showing that federal resources from non-Corporation sources totaled $3,177 per FTE in program year 1.

Corporation officials explained that the primary reason they do not collect information on sources of matching funds is that Office of Management and Budget (OMB) grant requirements limit the data agencies providing grants may collect without special OMB permission.[8] Thus, the Corporation generally collects information only on the total amounts of Corporation funds and non-Corporation funds spent. The Corporation is considering requesting OMB's permission to deviate from these requirements and collect detailed information on the sources of matching funds; however, Corporation officials expressed concern that they lack the resources required for such a data gathering effort.

CORPORATION UNABLE TO DOCUMENT TRENDS IN PRIVATE CONTRIBUTIONS

Although the Corporation has implemented some changes intended to increase the amount of private resources flowing to AmeriCorps projects, it has no system to determine the actual amounts projects are receiving. Lacking a system that identifies the source of matching funds (as discussed above), the Corporation cannot determine whether private contributions are increasing.

Although the Corporation does not have information on private funds obtained, officials have taken some steps to increase the amount of these funds going to local projects. Their efforts include the following.

- Unlike in program years 1 and 2, for program year 3 all projects were requested to raise some funds (cash or in-kind) from private sources.

- The amount of matching funds that projects are required to obtain increased from 25 percent in program years 1 and 2 to 33 percent beginning with program year 3. Matching funds come from all sources (other federal agencies, state and local government agencies, and private sources).

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[8]These requirements are found in OMB Circular A-110.

- The Corporation has acted to build and improve relations with potential private funding sources by, for example, raising AmeriCorps visibility through a national summit, directing potential corporate sponsors to a portfolio of projects in their interest areas, and providing individual projects with technical assistance in raising such funds.

OTHER FEDERAL AGENCIES' ROLE IN AMERICORPS GREATLY REDUCED

In program year 3, the Corporation provided no grants to federal agencies to operate AmeriCorps projects as it had done in the first two program years. In program year 1, the Corporation provided about $14.6 million in grants to 15 grantees within 13 federal agencies.[9] In February 1996, the Corporation notified its federal agency grantees that it would not "make direct grants of funds to federal agencies for AmeriCorps programs" in anticipation that such grants would be disallowed in the Corporation's pending appropriations bill.[10] However, the Corporation gave existing local subgrantees of the federal agency grantees a choice of applying for Corporation funds, as either individual applicants or a member of a consortium of projects submitting a joint application.[11] In program year 3, several of these local projects continued to receive Corporation funding through one of these arrangements.

Further, as allowed under the authorizing legislation, some of these projects continue to receive non-Corporation federal funding–cash or in-kind–to operate their projects. We contacted the six former federal agency grantees whose subgrantees received more than $1 million from other federal sources in program year 1 and determined that five provided funding (from non-Corporation

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[9]The 15 grantees included three grantees within one agency, the Department of Health and Human Services, and one grantee in each of 12 other agencies.

[10]The Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134), which became law shortly thereafter, eliminated funds for national service projects run by federal agencies.

[11]The Corporation initially provided a third option: federal agencies could apply for Corporation funds for only education awards. However, after determining that some members of the Congress believed it did not meet the spirit of the AmeriCorps reforms agreement, the Corporation eliminated this option.

sources) to at least one former subgrantee each in program year 3.[12] Most of this funding appeared to be at reduced levels relative to program year 1. For example, EPA provided a total of more than $700,000 of in-kind support to 6 projects in program year 1; an agency official said that currently only a small amount of technical assistance from EPA regional offices goes to these projects. The Department of Energy contributed more than $900,000 in cash and about $450,000 of in-kind support to the Salmon Corps AmeriCorps project in program year 1, while in program year 3, according to Energy staff, Energy's contribution is about $500,000 in cash and a minimal amount of in-kind support. Furthermore, most of the local projects that were subgrantees of the Department of Agriculture, the largest federal grantee, did not receive program year 3 operating grants, according to an Agriculture official, and the $21 million of support that Agriculture provided to its subgrantees in program year 1 has been eliminated.

AMERICORPS EDUCATION AWARDS PROGRAM BEING IMPLEMENTED

Before the Education Awards Program began, only a few projects were funded with Corporation funds for just education awards ($4,725 per full-time participant) under the operating grants to local projects. The administration has proposed expanding the Education Awards Program to 50,000 participants over the next 5 years.

As of July 1997, the Corporation had established three review cycles for Education Awards Program applications, with application deadlines of October 31, 1996, February 28, 1997, and June 30, 1997. Decisions on grant awards have been made on the first two cycles. Grants were approved for 49 projects with about 6,400 participants (3,200 FTEs) totaling about $15 million in education awards. The Corporation permitted grant applicants to request up to $1,000 per FTE for project management expenses, and many applicants requested these funds. Examples of allowable expenditures for these funds include oversight of a multisite organization and training for participants and supervisors in AmeriCorps procedures. For the 49 projects approved, funds approved for managing the projects totaled $1.6 million, or about $500 per FTE.

The AmeriCorps Education Awards Program has fewer grant requirements than the operating grants. Semiannual project progress reports are required rather

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[12]The six former federal agency grantees we contacted were the departments of Agriculture, Defense (Department of the Navy), Energy, the Interior, and Justice and the Environmental Protection Agency (EPA).

than the more detailed quarterly reports required under the AmeriCorps operating grants. If no Corporation funds are provided for managing the project, no financial reporting is required. Further, no minimum living allowance for participants has been set and no benefits are required. However, the service requirements are the same as those for participants of projects funded under the operating grants.

AGENCY COMMENTS

We provided a draft of this correspondence to Corporation officials for review and comment. Corporation officials did not take issue with our analysis and results. They provided technical comments and suggested clarification of several statements, which we incorporated as appropriate. For the Corporation's comments, see the enclosure to this correspondence.

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As we arranged with your offices, unless you publicly announce the contents of this correspondence earlier, we plan no further distribution until 30 days from its date. We will then send copies to the appropriate House and Senate committees and the Chief Executive Officer, Corporation for National and Community Service, and we will make copies available to others on request.

Please contact me at (202) 512-7014 if you or your staffs have any questions concerning this correspondence. Major contributors to this letter include Larry Horinko, Assistant Director; Carol Patey, Evaluator-in-Charge; and Nancy Kintner-Meyer and James Spaulding, Senior Evaluators.

Carlotta Joyner

Carlotta C. Joyner
Director, Education and
Employment Issues

Enclosure

ENCLOSURE

August 27, 1997

CORPORATION FOR NATIONAL SERVICE

Ms. Cornelia M. Blanchette
Associate Director, Education and
Employment Issues
General Accounting Office
Washington, D.C. 20548

Dear Ms. Blanchette,

Thank you for the opportunity to comment on the General Accounting Office's draft report entitled "National Service Programs: Status of AmeriCorps Reform Efforts."

As you know, in March 1996, I entered into a ten point agreement with Senator Grassley on steps to improve AmeriCorps. The spirit of this agreement was that in lowering the cost of the program, improving the ability of our partners to increase the share of costs they bear, devolving responsibility to the states, rooting ourselves squarely in the continuum of service, being unqualifiedly nonpartisan and non-political, and making our internal systems more effective, AmeriCorps would become a program in which all Americans could take pride. I believe the Corporation has lived up to both the letter and the spirit of the agreement, and that's why I am pleased that Sen. Grassley has asked the GAO to look into our reform efforts.

While recognizing that the GAO's analysis of our reform efforts focuses on four of the ten items in the agreement, we are proud of the progress we have made in meeting all of the items in the agreement. As promised, the Corporation has taken strong measures to prohibit AmeriCorps members from lobbying or engaging in other prohibited political activities; to increase collaborations with national non-profit organizations and the participation of unstipended volunteers; to strengthen the autonomy of state commissions; to improve the grant review process; and to expand the Corporation's evaluation efforts.

The four items on which the GAO has focused all relate, in one way or another, to reducing the cost of AmeriCorps. Again, we are pleased with the progress we have made in this area. For example, the GAO examined grants provided to the same projects over a three-year period and found that Corporation funding for full-time AmeriCorps members decreased, while non-Corporation matching funds increased. Your draft report stated that "[t]he increase in matching funds per FTE and the decrease in Corporation funds per FTE are consistent with the Corporation's reform agreement."

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National Senior Service Corps

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Most of the comments on this draft report are made in order to put your analysis into a broader context. Others have been suggested to correct factual statements or clarify the analysis. For example, AmeriCorps is not "America's national service program," but rather one of several national service programs administered by the Corporation for National Service. The Corporation also administers the Learn and Serve America program and the National Senior Service Corps program. In addition, AmeriCorps itself consists of three distinct programs: AmeriCorps★State/National, AmeriCorps★VISTA, and AmeriCorps★NCCC. The portion of my March 1996 agreement with Senator Grassley that relates to costs per member focuses on the AmeriCorps★State/National program.

In the section entitled "Results In Brief," the draft report asserts that the Corporation lacks the data systems to track whether all of the cost reduction reforms have occurred. The only data related to these reforms that the Corporation does not routinely gather is the increase in private sector contributions. The GAO gathered baseline data for its survey of Program Year 1, but did not gather similar data for Program Year 3. At this point, this leaves us with no comparative data. However, my letter dated August 15, 1997, to your office requests that baseline data so that the Corporation can develop a survey instrument and obtain approval from the Office of Management and Budget for the information collection activity.

Also, in "Results In Brief," the draft report states that "[w]hile no federal agencies are AmeriCorps grantees in Program Year 3, many of their former subgrantee projects, as allowed by law, continue to operate and receive Corporation funds. . . . " As a point of clarification, these former subgrantees are not branch offices of, or in any other way related to, the federal agencies. Rather, they are local nonprofit organizations that have competed for and won AmeriCorps grants just as have other grantees.

On page 4, the draft report states that proposed FTE matching funds decreased 10 percent for Program Year 3. However, it should be noted that the overall proposed FTE program costs also declined 9.2 percent for Program Year 3. The reduced costs per FTE reflect a greater number of AmeriCorps members in a larger number of programs, a positive development.

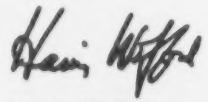
Footnote 6, on page 4, notes that this draft report does not include the education award and a pro-rated portion of the Corporation's overhead expenses, information that was included in the GAO's 1995 report. This exclusion is unfortunate because this information would have demonstrated a significantly lower FTE cost overall, due to the fact while the Corporation's expenses for overhead have not increased, the number of Members has.

Finally, on page 6, the draft report states that the Corporation is considering obtaining OMB approval to gather data on other sources of matching funds. While the Corporation is committed to gathering this data and will include it in its request to OMB, the project

requires gathering actual incurred costs and sources of funded expenditure. This information will not be available until the end of Year 3 programs, many of which are still operating.

These comments put in context, I hope, the broad reform effort we have made – both pursuant to the agreement with Senator Grassley and on our own. Thank you for considering these comments in preparing the final report.

Sincerely,



Harris Wofford
Chief Executive Officer

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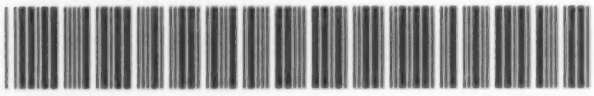

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